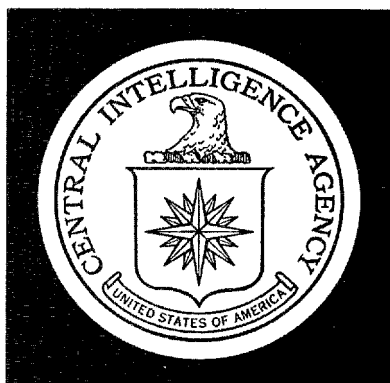


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South Vietnam: Fresh ground fighting flared around the beleaguered Special Forces camp at Ben Het on 24-25 June and the artillery bombardment continued.

In contrast to the action in the western highlands, enemy military activity elsewhere in South Vietnam remained at a low ebb. One heavy rocket round struck Saigon's 6th Precinct during the period but caused only light damage.

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The An Quang Buddhists are apparently considering expanding their political activities again, after lying low for several months. Thich Tri Quang is reportedly unhappy with the recent activities of such leftist groups as Tran Ngoc Lieng's National Progressive Front which he feels has "seized the ground" once occupied by the Buddhists. Tri Quang, [redacted] has criticized Lieng for putting first priority on replacing the present government, rather than trying to facilitate a compromise between the GVN and the National Liberation Front. While Tri Quang may feel no qualms about faulting Lieng's group at this point, the bonze, himself, probably would move extremely slowly before promoting a coalition government in open defiance of President Thieu. [redacted]

[redacted]

[redacted]

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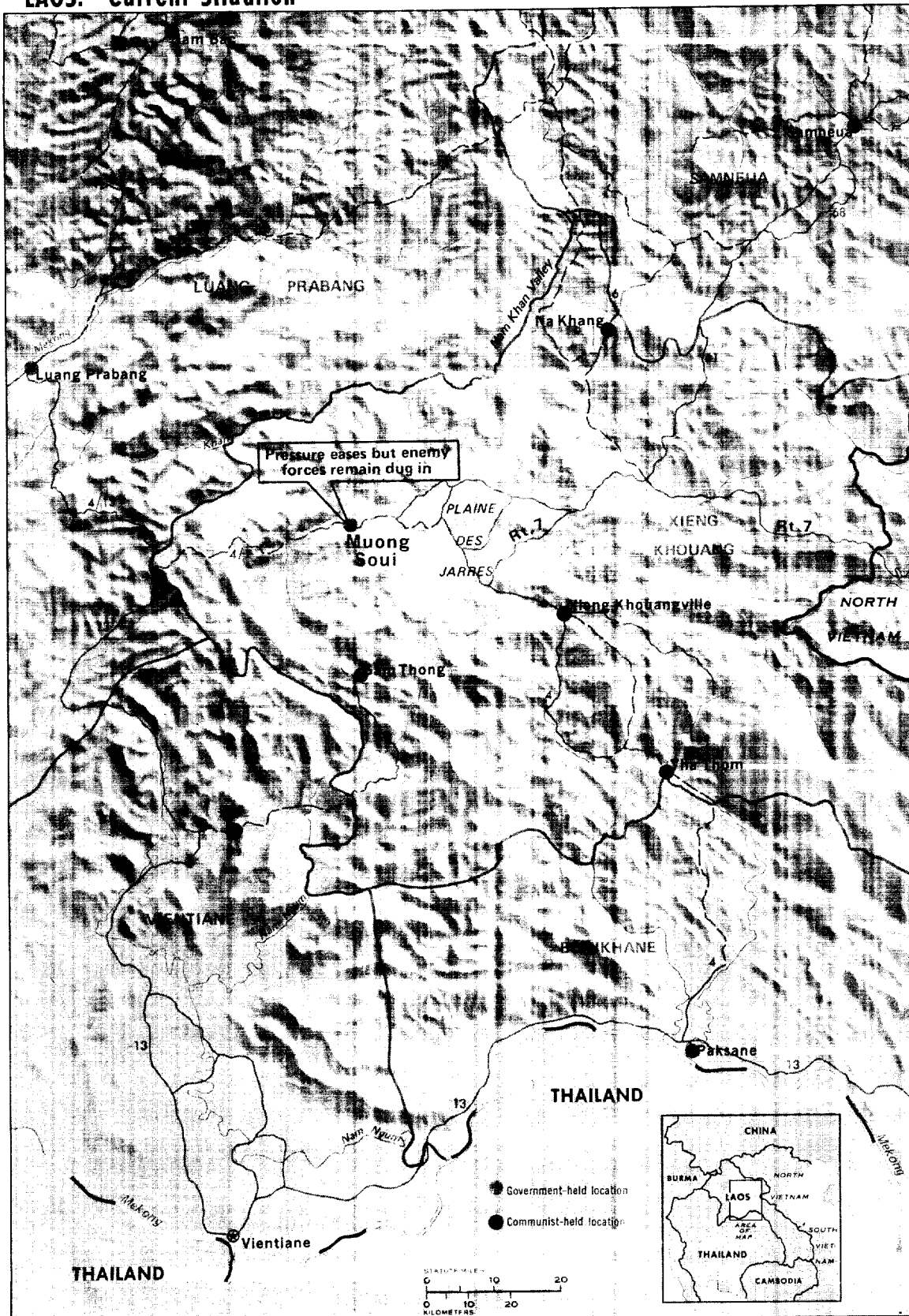
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LAOS: Current Situation



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Laos: Communist pressure against Muong Soui has eased, but enemy forces remain dug in near the embattled garrison.

With the help of continuous air support, government defenders on 25 June thwarted a number of small-scale enemy attacks. Late reports indicate, however, that the airstrip has again come under sporadic mortar attack.

The morale of government defenders has improved somewhat and the defenses of the base are being reorganized. With the shock of the initial assault now behind them, government forces appear to have a better chance of holding.

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The government also hopes to ease the enemy threat by using guerrilla teams to interdict the enemy's supply lines from the Plaine des Jarres.

A North Vietnamese sapper captured during the early fighting claims that his unit moved into Laos from North Vietnam in early June with the specific purpose of attacking Muong Soui. The ability of the North Vietnamese to move their forces rapidly into position around Muong Soui demonstrates the vulnerability of the neutralist headquarters to enemy forces situated directly east on the Plaine. It also is fresh evidence that the North Vietnamese can deploy new troops into Xieng Khouang Province along Route 7 with little warning or chance of detection.

(Map)

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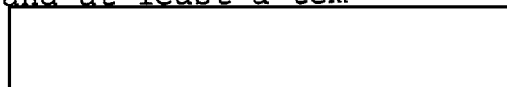
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Peru: The agrarian reform law announced on 24 June will probably meet strong opposition and disrupt Peruvian agricultural production.

President Velasco's announcement of the new law came after a 20-hour cabinet meeting, indicating that there is opposition to the measure within the military government. The sweeping reforms described in Velasco's speech strike at the heart of the political and economic power of the traditional oligarchy by calling for the seizure and redistribution of all major land holdings, particularly those under absentee ownership. This cannot go unchallenged, but it is doubtful that those hurt by the new reforms can obtain sufficient support, even from among disgruntled army officers, to confront Velasco and his supporters successfully.

In patriotic and nationalistic tones, Velasco appealed to peasants and students to support the new agrarian reform program, which is the military government's first major step toward "the economic and social transformation of the country." Although he gave no details on how the program will be implemented, Velasco said that the large "agro-industries," including US-owned sugar plantations such as those of W. R. Grace and Company, would be expropriated and operated as cooperatives. He added that compensation would be paid for the expropriated lands. This will probably come in the form of partial payments in cash and the remainder in government bonds.

Despite Velasco's claim that the reforms will not lower agricultural production, there will almost certainly be disruptions in agricultural output as the law is implemented and at least a temporary decline in production.



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Argentina: Renewed student and labor unrest is in prospect during the next few days.

Members of the leftist-oriented Argentine University Federation are planning demonstrations for the third anniversary of the coup that brought Onganía to power on 28 June, and for the arrival of Governor Rockefeller's mission on 29 June.

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The administration's handling of the student and labor problem will be closely watched by high military officers, whose confidence in the President appears to have deteriorated somewhat during the last month. These officers believe that Onganía's failure to resolve tensions with student and labor elements is largely due to his retention of a group of strongly "nationalist" advisers. The reported replacement of one of them--communications czar Frischknecht--by army Colonel Luis Premoli, who had served as presidential press secretary during the first two months of Onganía's administration, may be an attempt by Onganía to allay the military dissatisfaction.

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Panama: National Guard Commander Torrijos, the de facto ruler of the country, appears to be seeking to delay elections promised for next year.

Recent government actions and General Torrijos' statements at a press conference on 20 June suggest that the guard not only is reluctant to move rapidly toward restoration of constitutional government, but is contriving ways to ensure the continuity for an indefinite period of a regime run or sponsored by the military.

In remarks to the press, Torrijos implied that a challenge to the recently drafted electoral code may defer action on elections until modifications can be considered. The electoral tribunal judge dissenting on the draft was appointed by Torrijos, and his proposals could be a tactic to retard the electoral process.

US Embassy sources have noted increasing signs of concern among traditional political and economic interest groups over Torrijos' power and especially his growing tendency to exercise it.

One manifestation of this tendency is the increase in governmental pressure on the US-owned Power and Light Company, which provides electricity to Panama City and Colon. The government last week ordered the company to reduce rates to residential customers--lowering its revenues by about 14 percent. Similar action on commercial and industrial rates is likely to follow, as the government continues its campaign to induce the company to negotiate a new contract. The company is also concerned about the possible nationalization of all public power facilities, as advocated recently by one government official with jurisdiction in this area.



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Nationalist China: Cabinet changes announced by President Chiang Kai-shek on 25 June will significantly broaden the power of his son and heir-apparent Chiang Ching-kuo.

The younger Chiang was named deputy premier and as such he will be responsible for a new overall economic planning agency. This will involve him directly in Taiwan's economic planning and policy implementation for the first time.

Chiang Ching-kuo's appointment will mean that Premier Yen Chia-kan will be largely bypassed on important questions, thus in effect stemming his recent rise in influence. In addition, the post of minister of defense will become less important because the new defense minister will generally have to consult Chiang Ching-kuo on major decisions.

The Generalissimo also shifted the army commander in chief, a close ally of Chiang Ching-kuo, to the post of governor of Taiwan. The new governor has a long background in internal security matters and his appointment will irritate native Taiwanese, who had hoped for a more liberal, civilian governor.

The personnel changes are a further step in President Chiang's gradual but deliberate efforts to smooth the way for his son's eventual succession to power. Chiang Ching-kuo, who already in effect supervised the Kuomintang, military, and internal security apparatuses, now is directly involved in all major areas of administration in Taiwan.



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Israel: As Israeli political parties prepare for parliamentary elections in the fall, prospects are for a renewal of Golda Meir's mandate as prime minister.

Current estimates of the electoral outcome on 28 October are that the present ruling party combination is likely to hang on to its current slim majority in the 120-seat Knesset. The Labor Party - Mapam alignment is led by "old guard" stalwarts Mrs. Meir and Labor Party Secretary General Pinhas Sapir.

Since Mrs. Meir came to power last March, her performance and popularity have reduced the electoral appeal of the more hard-line rightist parties. She is given most of the credit for the improvement of the coalition's chances because of her almost daily expression of opposition to the four-power talks and her statements of determination not to budge an inch from the cease-fire lines without a peace agreement. This has taken some of the wind out of the sails of the rightists. As one conservative put it, "Why should I vote for Begin (a rightist leader) when I've got Golda?"

At the same time, Mrs. Meir has given equal expression to the public's aspirations for peace. In fact, the embassy reports that Mrs. Meir has had something to offer to almost all shades of opinion except for those who are completely uncompromising on an Arab settlement. The Knesset elections are still four months off, however, and events--such as a critical military situation or strong adverse international pressures--could yet change this trend.

Within the Labor Party, the power struggle that threatened to develop after the death of Prime Minister Eshkol has ended. A new internal unity is based on a recognition of political realities. Minister

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of Defense Moshe Dayan, who could have upset the applecart by bolting the Labor Party, has given every indication that he intends to wait for another day. Deputy Prime Minister Yigal Allon--another contender, with a background similar to Dayan's--also seems to have temporarily buried his personal ambitions.



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USSR: Foreign-based members of the party central committee have begun to gather in Moscow, probably for a plenary meeting of the committee. At the plenum, which is now overdue, General Secretary Brezhnev will in all likelihood report on the results of the recently concluded International Communist Conference. Brezhnev undoubtedly intends to capitalize on what was a relatively successful affair from the Soviet point of view and an achievement for him personally. There have also been reports for the past few months that the central committee was slated to consider measures for the technological modernization of the economy. [REDACTED]

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Western Europe: EURATOM is making progress in clearing away obstacles to negotiating with the International Atomic Energy Agency (IAEA) concerning enforcement procedures under the Nonproliferation Treaty. A West German official says that a EURATOM working group is now close to agreement on a common EURATOM position for the negotiations. Moreover, reversing a previous position, Dutch Foreign Minister Luns has stated that his government no longer considers German signature of the treaty a prior condition for negotiations. An agreement on the enforcement procedures with IAEA must be achieved before the EURATOM members will ratify the treaty.

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[REDACTED]

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Ecuador: The US fishing boat Caribbean, seized almost 200 miles off the Galapagos Islands on 18 June, is still under detention despite the government's assurances that it had been released on 20 June along with eight other boats detained briefly near Guayaquil. Three Japanese boats captured with the Caribbean were fined over \$91,000 before they were let go, and Ecuadorean officials fear that special treatment for the US boat would stimulate more of the student agitation that has been threatening the stability of the Velasco government for several weeks. The impasse will further impair prospects for a planned fisheries conference at which Chile, Ecuador, Peru and the US would consider means for dealing with problems posed by the three South American countries' claims to 200 miles of territorial sea.

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Mauritius-USSR: Mauritius has reportedly agreed "in principle" to a Soviet request for cosmonaut rescue and recovery facilities on its territory.

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the US already has space recovery facilities on the island. The USSR has been energetically seeking a site somewhere in the Indian Ocean. The Soviets apparently intend to use these facilities to augment ship recovery forces in support of lunar operations.


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Guinea: President Touré was the target of an assassination attempt on 24 June. Touré was escorting visiting Zambian President Kaunda from the airport into town when a still-unidentified man in military uniform leaped into the open car and tried to strangle him. The assailant was reportedly killed on the spot by guards; Touré was unharmed. Even though the attempt on his life was apparently the work of an individual, not a part of an organized plot, Touré is likely to intensify the purges he has been conducting since last March against his internal opponents.



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